

TOURISM BUSINESS

Tim Cossar, Chief Executive Officer, Tourism Industry Association

The high cost of ACC levy increases

Steep increases in ACC levies will put a significant financial burden on many tourism businesses, at a time when our industry is still struggling with the most difficult trading environment in decades as a result of the global economic crisis.

We understand the difficult situation currently faced by ACC, however the changes being proposed to help address the Corporation's blow-out in costs will see tourism operators faced with levy increases of between 30% and more than 100% depending on the type of business.

For example, one larger ski company employing more than 100 staff will be faced with increases of \$300,000 annually. A snapshot of the industry reveals that sport and physical recreation, amusement and outdoor guiding businesses will face levy increases of around 100%, accommodation, cafes and restaurants more than 80% and bus transport 63%.

Our industry has been severely tested over the past year, with dramatic declines in visitor arrivals from some of our major markets. We are starting to see the first signs of recovery; however, while some businesses are performing well, others continue to struggle. The proposed ACC levy increases threaten that recovery. The New Zealand Hotel Council, for example, says the increases will result in a prolonged downturn in demand, while the Ski Areas Association NZ says a 100% increase in ACC levies for its members will impact severely on profitability and future growth.

As well as the size of the levy increases, we are very concerned at the lack of time operators have been given to adjust to the changes, with ACC intending to introduce the increases from 1 April next year. Tourism operators set their prices up to two years in advance, making sudden jumps in compliance costs difficult to factor into pricing.

TIA's submission to ACC asks for a staged introduction of levy increases over two to three years. To give employers confidence in the system, it is critical ACC signals changes well in advance as they can have a significant impact on the viability of the small and medium sized enterprises that dominate our industry.

We have also asked ACC to consider the reintroduction of Experience Rating, whereby ACC contracts with each employer to determine levies based on their direct cost of claims against the scheme. A key benefit of Experience Rating is that it provides the right incentives to improve workplace safety practices for businesses of all sizes, including SMEs.

The wider impact of ACC levy increases is another issue for our industry. With wage earners facing a rise in ACC levies and a significant jump in the annual motor vehicle levy, disposable incomes are set to fall. This could impact negatively on Kiwis' holiday plans, at a time when businesses are counting on the domestic tourism sector to combat the downturn in international visitor arrivals.

As well as levy increases, the Government is also looking at wider reform of ACC legislation, including programmes to get people back to work faster and privatisation of some parts of the scheme. TIA is putting together a group of industry representatives to provide input into that wider reform process with the aim of minimising the adverse impact on our industry. We'll be posting updates on www.tianz.org.nz.